

REMARKS

This Amendment and Request for Reconsideration is submitted in response to an outstanding Office Action dated June 17, 2009, the shortened statutory period for response having expired on September 17, 2009. A petition and fee for an extension of time are included. In the event that the Commissioner determines that a further extension of time is required, the undersigned hereby petitions for any such extension of time, and authorizes the Commissioner to charge the Milbank deposit account 13-3250 for any required fee.

In the Office Action, the Examiner has checked both Final (box 2a) and non-final (box 2b). Since the previous response was filed in conjunction with a Request for Reconsideration, which the Examiner has acknowledged in paragraph 1, the undersigned will assume that the check in box 2a (Final) is an error on the part of the Examiner and that the June 17, 2009 paper is a non-final office action. If that understanding is incorrect, then the undersigned respectfully submits that a first action final rejection after filing of an RCE with a responsive amendment is improper and asks that the final office action be withdrawn and issued as a non-final action.

If the Commissioner determines that the Examiner was correct in issuing a final rejection, then the undersigned hereby petitions the Commissioner to accept this submission as part of a Request for Continued Examination, petitions for a Request for Continued Examination, and authorizes the Commissioner to charge any required RCE fee to the Milbank deposit account 13-3250.

The undersigned thanks the Examiner his Primary for the time taken during two telephone interviews to discuss the pending claims. The interviews addressed the prior art, rejections under 101, cited art and the Examiner's comments regarding § 112 issues for some of

the proposed amendments. The amendments presented in the current response reflect all of those discussions.

I. Status of the Claims

Please amend claims 12, 17, 18, 19, 21, 22, 23, 24, 42, 43, 46, 47, 48, 49, 50, 52, 53, 54, 55, 87, 88 and 89, and add new claims 93 and 94 as indicated above. Claims 1-11, 16, 20, 25-41, 44-45, 51, 58-86, and 90-92 were previously cancelled without prejudice. Claims 12-15, 17-19, 21-24, 42, 43, 46-50, 52-57, 87-89, 93 and 94 are now pending in the application. Pending claims 12, 21, 22, 23, 24, 42, 52, 53, 54 and 87 are independent claims.

II. Rejections under 35 U.S.C. § 101

In the Office Action, the Examiner has rejected pending method claims 12-19, 23, 24, 42-50, 54 and 87-89 under 35 U.S.C. § 101 as being directed to non-statutory subject matter. (Please note that claims 16, and 44-45 were previously cancelled without prejudice). As the Examiner and the undersigned well know, the boundary of allowable subject matter under § 101 has been a moving target and it may continue to move after the U.S. Supreme Court issues a decision in the pending *Bilski* appeal. Without the benefit of that future decision, the undersigned has amended the method claims in view of recent guidance developed with other Examiners in related art units at the U.S. Patent and Trademark Office during prosecution of other applications, and respectfully submits that the amended method claims are directed to statutory subject matter under § 101. If the Examiner does not agree, the undersigned would appreciate an opportunity to discuss the § 101 rejection with the primary and supervisory examiner, to avoid any further § 101 rejections.

III. Rejections under 35 U.S.C. § 103

In the Office Action, the Examiner has rejected pending claims 12-15, 17-19, 21-

24, 42, 46-48 and 52-57 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 6,173,270 to *Cristofich*, what the Examiner characterizes as applicant's admitted prior art (AAPA), a speech by SEC Commissioner Glassman ("*Glassman*"), U.S. Patent No. 6,393,409 to *Young et al.*, U.S. Patent No. 6,098,051 to *Lupien*, and U.S. Patent No. 4,412,287 to *Braddock*.

Applicants have previously disputed whether applicant's "AAPA" is a proper reference and those arguments are expressly preserved for appeal, but assuming here for argument sake that the "AAPA" is a proper reference, then even after combining 6 different "references" to make a § 103 rejection, the Examiner has still failed to capture all of the features that are present in the claims. Further, the Examiner's proposed combination of 6 different "references" would not enable the claims, as required to render the claims obvious.

As just one example, claim 12 recites (emphasis added):

assigning an execution allocation option to a security, wherein the execution allocation option is one of three options selected from the group consisting of

allocate execution to crowd only,

allocate execution to book only, or

allocate a percentage of execution to crowd and allocate a percentage of execution to book;

In the Office Action with respect to claim 12 at page 7, the Examiner relies on *Lupien* (5:55-63; 11:52-58; and 21:53-57) to disclose allocate execution to book only. However, there is no statement or indication in the Office Action that points to any part of any reference that discloses or suggests the other two allocation options clearly present in claim 12 of allocate execution to crowd only or allocate a percentage of execution to crowd and allocate a percentage of execution to book. These features are present in every pending claim!!! Because

these features are present in every claim and the § 103 rejection fails to identify these features in any particular reference, or explain how those features even if present in different references might be combined to creating an enabling disclosure for the claims, the § 103 rejection of all pending claims is not supported and should be withdrawn and the pending claims allowed.

In previous response to rejections, other distinctions between the cited references and the pending claims have been articulated. In the interest of brevity, those arguments are incorporated by reference. If the current § 103 rejection is maintained and the application is later appealed to the Board, Applicants intend to include any relevant previous arguments in favor of allowance.

Further, the Examiner **incorrectly** states at page 6 (emphasis added):

Applicant's specification defines at least some embodiments of the invention which involve a customer's specifying 'automatic execution' of an order as related to a customer's limit order (specification, p. 20, ll 7- p.21, l 3). In this embodiment, the transaction executes in the same manner as a limit order without Applicant's 'indication' through an 'NX' designation for the transaction prior to Applicant's invention. The price of the limit order would be the same with or without Applicant's invention. If the specialist has offers in hand which are equal to or better than the customer's limit price and if the other parameters of the customer's order are satisfied in all respects the order would execute without going to the floor. Applicant's designation by the customer of 'automatic execution' of the order in the claimed limitations and as supported by the specification would be a convenience which has not substantive role in the process or method. In other words, an automatic indication symbol such as 'NX' is non-functional descriptive material in the context of patentability. The indication and the indicator symbol may well be a convenience with positive marketing appeal, but it does not receive patentable weight.

Applicants also respectfully disagree that designating an order for automatic execution as recited in the claims, whether the designation is through an "NX" symbol or in some other manner is non-functional.

Claim 12 recites in part: determining by the programmed computer, whether the securities order includes an indicator requesting automatic execution, wherein the indicator requesting automatic execution directs the single securities exchange to execute at least a portion of the securities order at either a best bid or best offer as reflected in a quote price for the security that is published by the single securities exchange and also acknowledges that the securities order will not be exposed to an auction market of the single securities exchange for possible price improvement;

exposing the securities order to the auction market of the single securities exchange for possible price improvement if the securities order does not include the indicator requesting automatic execution;

automatically executing by the programmed computer, at least a portion of the securities order at the best bid or best offer as reflected in the published quote price for the security, without exposing the securities order for possible price improvement, if the securities order includes the indicator requesting automatic execution; ...

Thus, as recited in claim 12 , if the securities order does not include an indicator requesting automatic execution, the order is exposed to the auction market of the single securities exchange for possible price improvement. Alternatively, if the securities order includes an indicator requesting automatic execution, at least a portion of the order is automatically executed at the best bid or best offer as reflected in the published quote price for the security.

According to the Examiner's comments in the Office Action, those two alternatives render an identical result, and therefore the designation for automatic execution is non-functional. **That is incorrect** because with exposure for possible price improvement the execution price may be different than the quote price.

The following example will help to illustrate the flaw in the Examiner's

statement. Assume the published market quote for the security is 1000 shares bid to buy at \$31.11 and 800 shares offered to sell at \$31.14. Because the number of shares or the size is represented in increments of 100 share round lots, that published quote is illustrated as:

| | |
|-------|-------|
| 31.11 | 31.14 |
| 10 | 8 |

At NYSE before the instant invention, round lot orders were exposed to the auction market for possible price improvement. Exposure of orders to the auction market for possible price improvement applied to round lots of both limit orders and market orders. Exposing an order for possible price improvement meant that any brokers gathered at the post for the listed security would have an opportunity to take a more aggressive price position than the price position represented by the published quote. So, before the instant invention and with the market quote as illustrated above, if a limit order arrived to buy 600 shares priced at \$31.14, the specialist for the security was **not allowed** to immediately execute that incoming 600 share limit order at \$31.14, even though the quote showed that there were 800 shares offered for sale at the same \$31.14 price. Instead, the specialist was required to first expose the limit order to the auction market for possible price improvement. In this example, when the limit order to buy 600 shares at \$31.14 was exposed for possible price improvement, a trader in the crowd might decide to sell 600 shares at \$31.13. Under that circumstance, the 600 share buy order would get price improvement of \$0.01. The limit buy order would execute at \$31.13, not at the quoted offer to sell price of \$31.14.

Before the instant invention, market orders were handled in a similar way. So, for example with the quote as illustrated above, if a market order to buy 600 shares arrived, the specialist was required to expose the market order to the auction market for possible price improvement. With the quote as indicate above, if a market order to buy 600 shares arrived and

it was exposed for possible price improvement, another broker might have decided to sell 600 shares at \$31.13, and the market order to buy would similarly get \$0.01 of price improvement. Thus, before the instant invention, limit and market orders in round lot sizes were exposed to the auction market for possible price improvement. Exposure for possible price improvement did not mean that an order got price improvement, but round lot orders were exposed to the auction market for possible price improvement.

The NYSE rules regarding order exposure to the auction market for possible price improvement changed on January 4, 2001 when the SEC approved NYSE's proposed Rule Change to implement NYSe Direct+. The claims of the instant patent application are directed to features of NYSe Direct + as described in that proposed rule change. The initial proposed rule change was published on June 15, 2000 in the Federal Register at 65 FR 37587. The authorization for the rule change was published on January 4, 2001 in the Federal Register at 66 FR 834. Copies of 65 FR 37587 and 66 FR 834 were attached to a previous response. Under the proposed new rule, automatic execution ("auto ex") for certain types of limit orders was available. As stated in 65 FR 37587 and 66 FR 834, auto ex orders would receive an automatic execution without being exposed to the auction market.

Under the new rule, and as recited in claim 12, at least a portion of the order is automatically executed at a quote price, without exposing the order for possible price improvement, if the order includes an indicator requesting automatic execution.

So, with the same market quote from the example above:

| | |
|-------|-------|
| 31.11 | 31.14 |
| 10 | 8 |

under the new rule, if a limit order identified for automatic execution arrived to buy 600 shares priced at \$31.14, the specialist for the security immediately executes that incoming 600 share limit order at the quoted offer of \$31.14. So, with the same level of possible price improvement available in the auction market, the two alternatives recited in claim 12 would render different results depending on whether the incoming order is designated for automatic execution:

| | |
|---|--|
| Limit order to buy not designated for automatic execution | Limit order to buy designated for automatic execution |
| Order exposed for possible price improvement Price improvement of \$0.01 provided | Automatic execution at the quote price without exposing for possible price improvement |
| Execution price \$31.13 | Execution price \$31.14 |

The claimed designation for automatic execution is a functional element and may produce a different execution price depending on whether the automatic execution designation is present or absent.

Hasbrouck, which is a reference that the Examiner relied on in an earlier office action, specifically describes the situation requiring exposure for price improvement prior to the instant invention, stating (emphasis added): “Because the NYSE specialist must expose market orders to the crowd and does not automatically execute them against the posted quote, ‘price improvement’ is possible: market orders may be executed at better than the quoted price and limit orders may be executed at better than the limit price.” *Hasbrouck*, page 13, last paragraph.

Motivation to combine references. For every one of the rejections, the Examiner’s stated motivation is: “a desire to provide a data processing method and system for managing individual accounts directed to the transacting of securities transactions with pre-established

criteria.” The Examiner points to *Cristofich* (col. 2, lines 29-33) as support.

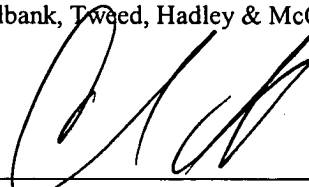
Respectfully, that stated motivation bears absolutely no relevance to the pending claims or anything else of relevance to the instant inventions. The stated motivation is meaningless as a motivation for implementing any change or combining any of the cited references. The stated motivation to combine is unsupported, it is improper, and it is simply a part of a sentence that the Examiner has extracted and modified from *Cristofich* in an effort to justify the hind-sight reconstruction of the claims from multiple pieces of prior art that individually and in combination fail to show all of the elements of the claims.

In this and prior responses to the current and in prior Office Actions, the undersigned has addressed a number of issues, but not every issue raised by the Examiner. The undersigned has focused on significant areas of distinction between the cited references and the pending claims. The undersigned’s decision in this response to respond only to the significant issues instead of every point presented by the Examiner is not an admission that the Examiner is correct on those other issues.

IV. Request for Reconsideration

Applicants respectfully submit that the claims of this application are in condition for allowance. Accordingly, reconsideration of the rejection and allowance is requested. If a conference would assist in placing this application in better condition for allowance, the undersigned would appreciate a telephone call at the number indicated.

Respectfully submitted,
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